

Elements of a Complete SBA Loan Write-up

1. **Project Summary:** A brief description of the purpose of the transaction.
2. **Eligibility**
 - a. Size
 - 1) Discuss affiliates, if any.
 - 2) Is the business, including affiliates, within size standards?
 - b. Type of business
 - 1) Is the business eligible?
 - 2) Legal Permanent Residency status verified by INS, if applicable?*
 - 3) If a franchise, is it eligible?
 - c. Use of Proceeds
 - 1) Are the proceeds eligible?
 - 2) If there is debt refinance, justify payoff, using current policy.
 - a) Show calculations of “20% cash flow benefits test”.
 - b) Why are the terms unreasonable?
 - c) Is it a “bail-out” of the lender?
 - d) Is it SBA debt?
 - d. Credit Available Elsewhere.

Identify lender’s reason for requiring SBA’s guaranty. SOP 50-10(4), page 11+.
 - e. Utilization of Personal Resources.

Apply personal resources test to all 20%+ owners. SOP 50-10(4), page 15+.
3. **Credit Analysis.** See SOP 50-10(4), page 81-95
 - a. Character. Discuss SBA Form 912 issues, if any.
 - b. Management Ability
 - c. Balance Sheet
 - 1) Prepare pro forma based on current balance sheet. Adjust for all sources and uses of funds. Adjust for inflated asset values and excessive depreciation and evaluate questionable items. Clearly identify all adjustments.

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- 2) Perform sufficient ratio analysis to understand past operations and trends and to assure that resources are adequate for the business's needs. Use industry comparable industry data such as RMA.
 - 3) Discuss adequacy of working capital to support projected operations.
 - 4) Discuss adequacy of equity, including the source of additional injection, if any.
- d. Repayment Ability from Earnings and Cash Flow
- 1) Spread total P&I required against historical and projected cash flow.
 - 2) Support total P&I with a complete debt schedule.
 - 3) Discuss and justify "cash flow add-backs".
 - 4) To the extent necessary, discuss and justify projections. Include industry comparisons and explain significant variations. Also include SBA 10 year history data by SIC (and franchise, if applicable) when available.
 - 5) If recommended for approval, a statement must be made that repayment from earnings or cash flow is reasonably assured.
- e. Collateral
- 1) Analyze adequacy of coverage by using liquidation-factored values.
 - 2) If inadequate (less than 1:1), discuss availability of additional.

*Verifications of INS status should be mailed (not FAXed) to:

Status Verifier
Immigration and Naturalization Service
333 Mt. Elliot St.
Detroit, MI 48207-4385

Include a legible copy of the INS documentation from the individual(s) whose status is being verified and a properly completed INS Form G-845.

Verifications typically take 10 workdays from date of receipt of a complete verification request.